

Auditing Procedures Report

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name	Crystal Township	County	OCEANA	Type	TOWNSHIP	MuniCode	64-1-040
Opinion Date-Use Calendar	Sep 30, 2008	Audit Submitted-Use Calendar	Sep 30, 2008	Fiscal Year End Month	03	Fiscal Year	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/>	<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	13. Is the audit opinion unqualified?
		14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	18. Are there reported deficiencies?
	<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/>	\$ 114,229.00
General Fund Expenditure:	<input type="checkbox"/>	\$ 85,256.00
Major Fund Deficit Amount:		\$ 77,969.00

General Fund Balance:	<input type="checkbox"/>	\$ 155,447.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/>	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)	Jodi	Last Name	DeKuiiper	Ten Digit License Number	1101021180		
CPA Street Address	PO Box 9	City	Fremont	State MI	Zip Code 49412	Telephone	+1 (231) 924-6890
CPA Firm Name	Hendon & Slate PC	Unit's Street Address	1470 E Hammett	Unit's City	Hart	Unit's Zip	49420

**CRYSTAL TOWNSHIP
OCEANA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

MARCH 31, 2008

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CRYSTAL TOWNSHIP

Board Members

	<u>Position</u>
Connelly Bowling	Supervisor
Pat Amstutz	Clerk
Gaye Sorensen	Treasurer
Ronald Amstutz	Trustee
Donald Verschueren	Trustee



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Township Board
Crystal Township
Oceana County
Hart, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Township, Michigan as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and pages 20 and 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
September 30, 2008

CRYSTAL TOWNSHIP

Management's Discussion and Analysis (MD&A) For the Year Ended March 31, 2008

Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's unrestricted net assets (the part of net assets that can be used to finance day-to-day operating) decreased 43% from March 31, 2006 - from \$178,555 to \$77,678. In a condensed format, the table below shows key financial information (in future years, when prior year information is available, a comparative analysis of data will be presented):

	March 31, 2008	March 31, 2006
	Governmental Activities	Governmental Activities
Current Assets	\$ 140,554	\$ 181,829
Noncurrent Assets	158,854	186,452
Total Assets	<u>\$ 299,408</u>	<u>\$368,281</u>
Current Liabilities	\$ 63,076	\$ 3,274
Total Liabilities	<u>\$ 63,076</u>	<u>\$3,274</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 158,854	\$186,452
Unrestricted	<u>77,678</u>	<u>178,555</u>
Total Net Assets	<u>\$ 236,532</u>	<u>\$365,007</u>
Program Revenues		
Charges for Services	\$ 5,636	\$1,805
Capital Grants and Contributions		
Federal Grants	-	44,250
State Grants	1,585	9,000
General Revenues		
Property Taxes	73,681	62,339
State Shared Revenues	63,727	60,731
Investment Earnings	5,492	1,983
Miscellaneous	<u>12,724</u>	<u>3,343</u>
Total Revenues	\$ 162,845	\$183,451

Management's Discussion and Analysis (Continued)

Program Expenses		
General Government	62,372	61,417
Public Safety	34,271	26,479
Public Works	171,213	15,872
Recreation and Culture	1,248	1,248
Community/Economic Dev.	1,923	1,965
Unallocated Depreciation	<u>5,467</u>	<u>3,475</u>
Total Expenses	<u>276,494</u>	<u>110,456</u>
Change in Net Assets	<u>\$ (113,649)</u>	<u>\$ 72,995</u>

Governmental Activities

The Township's total governmental revenues remained consistent with revenues from March 31, 2007. Although there were decreases property taxes received due to an increased delinquent tax, there was an offsetting increase in interest income due to the change in banking organizations. Most other revenues remained similar to previous levels.

Expenses increased about \$31,000 from the prior year. This increase of 17% was due to capital outlay paid for road improvements on 120th Avenue.

Business-Type Activities

The Township had no business type activities.

The Township's Fund

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. All three of the Township's funds, (General, Fire, and Road) are considered major funds.

General Fund Budgetary Highlights

Over the course of the year, the Township Board made amendments to the budget to take into account events during the year. However, the Board still had a few over expenditures as reported in the notes to the financial statements.

Capital Asset and Debt Administration

At March 31, 2007, the Township had \$158,854 invested in a broad range of capital assets including land improvements, buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads property of the Oceana County Road Commission (along with the responsibility to maintain them).

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for March 31, 2009 calls for an increase in revenues due to additional increases in the mileage levy rates - particularly for the fire mileage. The township also expects to receive additional monies from a federal grant toward the purchase of a new fire truck.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

CRYSTAL TOWNSHIP

Government Wide Statement of Net Assets March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 113,775
Taxes Receivable	15,373
Accounts Receivable	11,211
Accounts Receivable - Fiduciary Funds	195
Property and Equipment	252,265
Accumulated Depreciation	<u>(93,411)</u>
Total Assets	299,408
LIABILITIES & NET ASSETS	
Liabilities	
Accounts Payable	-
Due to Other Units	<u>63,076</u>
Total Liabilities	63,076
Net Assets	
Invested in Capital Assets	
Net of Related Debt	158,854
Unrestricted	<u>77,678</u>
Total Net Assets	<u><u>\$ 236,532</u></u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Government Wide Statement of Activities For the Year Ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Capital</u> Grants and Contributions	<u>Net (Expenses) Revenue and Changes in Net Assets</u> Governmental Activities
Primary Government				
General Government	\$ 62,372	\$ 5,636	\$ 1,585	\$ (55,151)
Public Safety	34,271	-	348	(33,923)
Public Works	171,213	-	-	(171,213)
Recreation and Culture	1,248	-	-	(1,248)
Community & Economic Dev.	1,923	-	-	(1,923)
Unallocated Depreciation	5,467	-	-	(5,467)
Total Primary Government	<u>\$ 276,494</u>	<u>\$ 5,636</u>	<u>\$ 1,933</u>	(268,925)
General Revenues				
Property Taxes - Levied for General Purpose				73,681
State Shared Revenue				63,727
Metro Act				-
Interest Income				5,492
Miscellaneous				<u>12,376</u>
Total General Revenues				<u>155,276</u>
Change in Net Assets				(113,649)
Net Assets - April 1, 2007				<u>350,181</u>
Net Assets - March 31, 2008				<u>\$ 236,532</u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Governmental Fund Balance Sheet March 31, 2008

	General Fund	Fire Fund	Road Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 84,124	\$ 12,702	\$ 17,149	\$ 113,975
Taxes Receivable	5,209	3,375	6,789	15,373
Accounts Receivable	11,211	-	-	11,211
Due from Other Funds	54,903	-	-	54,903
Total Assets	<u>\$ 155,447</u>	<u>\$ 16,077</u>	<u>\$ 23,938</u>	<u>\$ 195,462</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 63,076	\$ 63,076
Due to Other Funds	-	43,608	11,100	54,708
Total Liabilities	-	43,608	74,176	117,784
FUND BALANCES				
Unrestricted	155,447	(27,531)	(50,238)	77,678
Total Fund Balance	155,447	(27,531)	(50,238)	77,678
Total Liabilities and Fund Equity	<u>\$ 155,447</u>	<u>\$ 16,077</u>	<u>\$ 23,938</u>	<u>\$ 195,462</u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2008

Total Governmental Fund Balances	\$	77,678
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	\$	252,265	
Governmental Accumulated Depreciation		<u>(93,411)</u>	<u>158,854</u>
Total Net Assets - Governmental Activities:			<u><u>\$ 236,532</u></u>

CRYSTAL TOWNSHIP

Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2008

	General Fund	Fire Fund	Road Fund	Total Governmental Funds
Revenues				
Property Taxes & Admin. Fee	\$ 25,413	\$ 16,028	\$ 32,240	\$ 73,681
State Shared Revenue	63,727	-	-	63,727
State Grants	1,585	-	-	1,585
Federal Grants	-	-	-	-
Refunds and Reimbursements	1,718	-	-	1,718
Interest	5,492	-	-	5,492
Cemetery Lot Sales	3,918	-	-	3,918
Other	12,376	348	-	12,724
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	114,229	16,376	32,240	162,845
Expenditures				
General Government	58,249	-	-	58,249
Public Safety	-	21,742	-	21,742
Public Works	9,978	-	152,844	162,822
Community/Econ. Development	1,923	-	-	1,923
Recreation and Culture	1,248	-	-	1,248
Capital Outlay	8,391	4,532	-	12,923
Unallocated	5,467	-	-	5,467
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	85,256	26,274	152,844	264,374
	<hr/>	<hr/>	<hr/>	<hr/>
Excess Revenue Over (Under) Expenditures	28,973	(9,898)	(120,604)	(101,529)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - April 1, 2007	126,474	(17,633)	70,366	179,207
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - March 31, 2008	<u>\$ 155,447</u>	<u>\$ (27,531)</u>	<u>\$ (50,238)</u>	<u>\$ 77,678</u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds		\$ (101,529)
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Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	3,502	
Depreciation expense reported in the statement of activities	<u>(15,622)</u>	<u>(12,120)</u>

Changes in Net Assets - Governmental Activities		<u><u>\$ (113,649)</u></u>
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CRYSTAL TOWNSHIP

Statement of Net Assets - Fiduciary Fund March 31, 2006

	<u>Trust and Agency Fund</u>
ASSETS	
Cash and Investments	<u>\$ 195</u>
Total Assets	<u><u>\$ 195</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Due to Other Funds	\$ 195
Due to Other Governmental Units	<u> </u>
Total Liabilities	195
 Net Assets	
Unreserved	<u> -</u>
 Total Liabilities and Net Assets	<u><u>\$ 195</u></u>

The Notes to the Financial Statements are an integral part of this statement

CRYSTAL TOWNSHIP

Notes to the Financial Statements For the Year Ended March 31, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crystal Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Crystal Township.

A. Reporting Entity

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

1. State Shared Revenue Receivable

State Shared Revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. For fiscal year-end March 31, 2008, \$9,091 was not receipted until July 21st, . In addition, the State of Michigan annual maintenance fee of \$2,120 was not receipted until June 17, and a receivable has been recorded in the amount of \$11,211.

2. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2007 delinquent taxes of \$10,819 were received after year end. These amounts are recorded as receivable at March 31, 2007 and have been included in revenues for the year ended March 31, 2007.

Notes to the Financial Statements (continued)

The 2007 taxable valuation of the Township totaled \$16,566,508 on which ad valorem taxes levied consisted of 1.1425 mills for general operations, .9944 mills for fire operations, and 1.9006 mills for road operations raising \$20,148 for general operations, \$16,028 for fire operations and \$32,240 for road operations. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for the resources of property tax revenues and other monies that are restricted for road maintenance purposes.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated as fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Notes to the Financial Statements (continued)

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 50 years
Land Improvements	15 - 20 years
Equipment	5 - 10 years
Fire Equipment	10 - 20 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred material expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Township Board	17,400	20,130	(2,730)
General Fund - Transfer Station	8,800	9,978	(1,178)

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has not adopted an investment policy in accordance with Public Act 196 of 1997.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$ 113,577	\$ 196	\$ 113,773

The bank balance of the Township's deposits is \$110,718, of which \$110,718 is covered by federal depository insurance.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

The Township used only Fifth Third Bank as a depository during the year.

Notes to the Financial Statements (continued)

NOTE D RECEIVABLES

Taxes receivable are for delinquent real property taxes purchased by the County of Oceana. The 2006 delinquent taxes were collected in June, 2007, which exceeds the general rule (60 days), however, is soon enough to pay liabilities of the current period. Receivables as of year-end for the Township's individual major and non-major funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	General Fund	Fire Fund	Road Fund	Total
State Shared Revenue	\$ 11,211	\$ -	\$ -	\$ 11,211
Taxes Receivable	5,209	3,375	6,788	15,372
Total Receivables	<u>\$ 16,420</u>	<u>\$ 3,375</u>	<u>\$ 6,788</u>	<u>\$ 26,583</u>

No allowances have been made for non-collectable accounts because most delinquent receivables can be added to the tax roll if they remain unpaid and become a lien against the property.

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated				
Buildings & Improvements	52,992	-	-	52,992
Land Improvements	3,500	-	-	3,500
Machinery & Equipment	35,948	-	-	35,948
Fire Equipment	156,324	3,502	-	159,826
Subtotal	248,764	3,502	-	252,266
Less Accumulated Depreciation for				
Buildings & Improvements	13,400	1,361	-	14,761
Land Improvements	248	175	-	423
Machinery & Equipment	11,741	2,587	-	14,328
Fire Equipment	52,401	11,499	-	63,900
Subtotal	77,790	15,622	-	93,412
Net Capital Assets being depreciated	170,974	(12,120)	-	158,854
Capital Assets - Net of Depreciation	<u>\$ 170,974</u>	<u>\$ (12,120)</u>	<u>\$ -</u>	<u>\$ 158,854</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities

Public Safety	\$ 11,499
General Government	<u>4,123</u>
Total Governmental Activities	<u>\$ 15,622</u>

NOTE F INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ -	General Fund	\$ 54,708
Fire Fund	43,608	Fire Fund	-
Road Fund	<u>11,100</u>	Trust & Agency Fund	<u>-</u>
Total	<u>\$54,708</u>		<u>\$ 54,708</u>

NOTE I RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

CRYSTAL TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance - April 1, 2007	\$ -	\$ -	\$ 121,583	\$ 121,583
Resources (Inflows)				
Property Taxes & Admin. Fee	40,300	40,300	25,413	(14,887)
State Shared Revenue	54,000	54,000	63,727	9,727
State Grants	1,585	1,585	1,585	-
Refunds & Reimbursements	1,705	1,705	1,718	13
Interest	3,000	3,000	10,383	7,383
Cemetery Lot Sales	2,200	2,200	3,918	1,718
Other	<u>11,500</u>	<u>11,500</u>	<u>12,181</u>	<u>681</u>
Amounts Available for Appropriation	114,290	114,290	240,508	126,218
Charges to Appropriations (Outflows)				
General Government	54,700	56,350	58,249	(1,899)
Public Safety	-	-	-	-
Public Works	21,000	21,000	18,369	2,631
Community/Economic Development	3,500	3,500	1,923	1,577
Recreation and Culture	2,200	2,200	1,248	952
Other	<u>13,200</u>	<u>13,200</u>	<u>5,467</u>	<u>7,733</u>
Total Charges to Appropriation	<u>94,600</u>	<u>96,250</u>	<u>85,256</u>	<u>10,994</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ 19,690</u>	<u>\$ 18,040</u>	<u>\$ 155,252</u>	<u>\$ 137,212</u>

CRYSTAL TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for Fire Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance - April 1, 2007	\$ -	\$ -	\$ (17,833)	\$ (17,833)
Resources (Inflows)				
Property Taxes	-	-	16,028	16,028
Federal Grants	1,585	1,585	-	(1,585)
Miscellaneous	-	-	348	348
	<u>-</u>	<u>-</u>	<u>348</u>	<u>348</u>
Amounts Available for Appropriation	1,585	1,585	(1,457)	(3,042)
Charges to Appropriations (Outflows)				
Public Safety	24,160	26,745	21,742	5,003
Capital Outlay	3,520	3,520	4,532	(1,012)
	<u>27,680</u>	<u>30,265</u>	<u>26,274</u>	<u>3,991</u>
Total Charges to Appropriation	<u>27,680</u>	<u>30,265</u>	<u>26,274</u>	<u>3,991</u>
Budgetary Fund Balance - March 31, 2008	<u>\$ (26,095)</u>	<u>\$ (28,680)</u>	<u>\$ (27,731)</u>	<u>\$ 949</u>

CRYSTAL TOWNSHIP

Required Supplementary Information Budgetary Comparison Schedule for Road Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance - April 1, 2007	\$ 12,596	\$ 74,769	\$ 70,366	\$ (4,403)
Resources (Inflows)				
Property Taxes	29,371	29,371	32,240	2,869
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts Available for Appropriation	41,967	104,140	102,606	(1,534)
Charges to Appropriations (Outflows)				
Public Works	165,998	165,998	152,844	13,154
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Charges to Appropriation	<u>165,998</u>	<u>165,998</u>	<u>152,844</u>	<u>13,154</u>
Budgetary Fund Balance - March 31, 2008	<u><u>\$ (124,031)</u></u>	<u><u>\$ (61,858)</u></u>	<u><u>\$ (50,238)</u></u>	<u><u>\$ 11,620</u></u>

CRYSTAL TOWNSHIP

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - General Fund
For the Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes & Admin. Fee	\$ 40,300	\$ 25,413	\$ (14,887)
State Shared Revenue	54,000	63,727	9,727
State Grants	1,585	1,585	-
Refunds and Reimbursements	1,705	1,718	13
Interest	3,000	10,383	7,383
Cemetery Lot Sales	2,200	3,918	1,718
Other	<u>11,500</u>	<u>12,181</u>	<u>681</u>
Total Revenues	114,290	118,925	4,635
Expenditures			
General Government			
Township Board			
Salaries and Wages		2,640	
Other		<u>17,490</u>	
	17,400	20,130	(2,730)
Supervisor			
Salaries and Wages	6,000	6,000	-
Elections	2,150	2,330	(180)
Assessor			
Salaries and Wages	7,200	6,240	960
Clerk			
Salaries and Wages	\$ 6,000	\$ 6,000	\$ -

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Board of Review			
Salaries and Wages	\$ 800	836	\$ (36)
Treasurer			
Salaries and Wages	7,500	7,500	-
Township Hall and Grounds	600	535	65
Cemetery			
Salaries and Wages		1,912	
Other		<u>6,766</u>	
	<u>8,700</u>	<u>8,678</u>	<u>22</u>
Total General Government	56,350	58,249	(1,899)
Public Works			
Drains and Dams	600	-	600
Roads	11,600	8,391	3,209
Transfer Station			
Salaries and Wages		1,421	
Other		<u>8,557</u>	
	<u>8,800</u>	<u>9,978</u>	<u>(1,178)</u>
Total Public Works	21,000	18,369	2,631
Community/Economic Development			
Planning & Zoning			
Salaries and Wages		1,486	
Other		<u>437</u>	
	3,500	1,923	1,577
Recreation and Cultural			
Library	2,200	1,248	952

Statement of Revenues, Expenditures and
Changes in fund Balance - General Fund (continued)

Unallocated			
Fringe Benefits	2,700	3,323	(623)
Miscellaneous	<u>10,500</u>	<u>2,144</u>	<u>8,356</u>
	<u>13,200</u>	<u>5,467</u>	<u>7,733</u>
 Total Expenditures	 <u>96,250</u>	 <u>85,256</u>	 <u>10,994</u>
 Excess Revenues Over (Under) Expenditures	 18,040	 33,669	 15,629
 Fund Balance - April 1, 2007	 <u>-</u>	 <u>121,583</u>	 <u>121,583</u>
 Fund Balance - March 31, 2008	 <u><u>\$ 18,040</u></u>	 <u><u>\$ 155,252</u></u>	 <u><u>\$ 137,212</u></u>

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members,
Crystal Township
Oceana County,
Hart, MI

In planning and performing our audit of the financial statements of Crystal Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Crystal Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Crystal Township's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies .

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Anti-Fraud Program

The Township has not adopted an Anti-Fraud Program (such as the attached standards of ethics and conduct) as required by SAS 99.

Grand Rapids
4575 Lake Michigan Dr. NW
Grand Rapids, MI 49546
Phone (616) 453-8551
Fax (616) 453-9352

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231)-798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

Controls over Non-Routine and Non-Systematic Transactions

The Township does not have controls in place whereby journal entries are reviewed by individuals independent of the person initiating the transactions.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

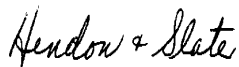
The Township currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

Inadequate overall internal control design

The Township currently does not maintain an adequate set of financial records. Receipts and disbursements are recorded in hand ledgers, excel ledgers, and accounting software, but none of these methods provided accurate information for the year. Such a system does not permit the preparation of accurate and reliable financial statements. The importance of a good accounting system cannot be overemphasized without adequate financial records managements is basing its decisions on incomplete and/or inaccurate information during the year and excessive time is spent at year end in preparing and auditing the financial statements.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Hendon & Slate, P.C.
Certified Public Accountants
September 30, 2008

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

September 30 2008

Board Members
Crystal Township
Oceana County,
Hart, MI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Township for the year ended March 31, 2008, and has issued our report thereon dated September 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated April 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crystal Township are described in Note A to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements .

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Fax (231) 873-7033

www.hscompanies.com

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We would like to thank the Township for the opportunity to perform the audit. Unfortunately, there were several difficulties encountered in dealing with management in performing and completing our audit, including the scheduling of additional time due to inadequate information provided during the original engagement, the lack of responses to questions, ignoring messages, and providing inadequate information.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management: Reclassification of salaries and wages.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In connection with our audit of Crystal Township as of and for the year ended March 31, 2008, we offer the following comments and recommendations:

Books and Records

The Treasurers records for Crystal Township were in excellent condition and the bank reconciliations appeared timely and accurate. However, we had difficulty with the original documentation provided by the Clerk. In addition to the required budget to actual reports which were originally provided, the Clerk also provided QuickBooks information and a hand ledger. The reports did not correspond with the information in either the QuickBooks or the hand ledger resulting in procedures being performed on the incorrect information.

One of the Clerk's major responsibilities is to maintain the Township's original books of entry including the proper documentation of all transactions to these books. This includes not only the maintenance of a general ledger, but also the support for all receipts and disbursements. During our engagement we tested several checks which were missing their supporting documentation. Although the Clerk was able to locate the invoices at a later date, the Township's files should be organized to be able to provide this documentation upon request.

In addition, we found that the QuickBooks program provided was lacking data that was recorded in both the hand ledger and the budget to actual excel spreadsheets . To increase both efficiency and accuracy we suggest that one method be used for the accounting of the Township's books. This will help to reflect a complete and accurate picture of the Township as a whole and would eliminate duplicate work. If the QuickBooks program is not to be fully implemented, we suggest that the Clerk tie her monthly budget to actual reports to her hand ledger as well as the ledger of the Treasurer, to ensure accuracy. If the program is to be implemented, than we suggest that the Clerk include budget and actual information in the system and reconcile the cash balances with the Treasurer monthly.

Payroll Processing

During our audit we found several issues of concern relating to the preparation and reporting of the Township's payroll to the federal government . First, the quarterly and annual reports did not agree to each other. Second, the quarterly reports did not agree with quarterly payroll journals provided from QuickBooks . Finally, the wages reported quarterly included non-taxable items. These items were not included in the taxable wages and therefore not taxed; however, the reporting was incorrect . We suggest that the Clerk review each quarterly report for the correct date and payroll amount. Each quarterly report should be tied to a payroll journal for that specific quarter . Also, annually the quarterly reports should be tied out to the annual year- end reporting.

Fund Balances

During the audit, it became evident that multiple funds were being supported by the general fund, resulting in loans between funds. This also results in funds which owe more than they have available and a negative fund balance in these funds. The State requires submission of a deficit reduction plan within 90 days of the year end which has a negative fund balance. We recommend that the Township submit this plan as soon as possible.

Budget Overexpenditures

Although the Board periodically made amendments to the budget as necessary to avoid budget over expenditures , we must note that there continued to be over expenditures for the year ended March 31, 2008. We suggest that the Board monitor the budget to actual report at least quarterly to identify and make amendments to the budget to avoid over expenditures during the next fiscal year.

We also note that the budget being adopted by the Board combines all funds making individual fund budgets not readily definable. This could be the reason for some of the above noted over expenditures as it is difficult to separate funds as the State requires. We recommend that the Board begin adopted completely separate budgets for each required fund.

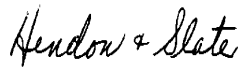
Segregation of Duties

While the Township is following the common practice amongst small governments of having the treasurer bear all of the responsibility for accounting for tax receipts and disbursements, the Uniform Accounting Procedures Manual does state that the clerk is to have a role in this process. Per the Manual, the Township should have a separate set of accounts similar to any other fund (such as the General Fund) and should use the same practices for accounting transactions. That is to say that the Treasurer should receipt tax revenues and provide the receipt to the Clerk to be recorded in the Tax Account. The Clerk should also record all of the checks out of the Tax Account and reconcile the accounts of this fund with the Treasurer's records. We understand that the Township may see this as an unnecessary series of steps that have never been performed and are often not performed by other Townships, but we view this as an opportunity to both comply with the Uniform Accounting Procedures Manual as well as strengthening the internal controls over cash and the entire tax collection and disbursement process. We have included a copy of the Uniform Accounting Procedures Manual and would be happy to assist the Township in implementing these changes.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the board and management of Township of Crystal and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, PC

Fremont Office